



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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Organic coffee

Summary of a round table discussion on coffee produced by “organic” farming methods and the position in the year 2000

Background

1. A round table discussion on the theme of coffee produced by ecological, biological or organic farming methods¹ was held in London on 19 May 2000 at the International Coffee Organization headquarters. Three different aspects of the topic were covered: definition, certification, and the market.
2. This document examines the world organic coffee scene by following up and expanding on what was said in the round table discussion. It is based on a compilation of information from a variety of unofficial sources with links to the organic coffee market. The statistical value of the data presented should, therefore, be treated with caution and should only serve as a rough guide.
3. Mexico is the largest producer of organic coffee with approximately 103,000 bags. New schemes for the marketing of organic coffee are being implemented in Ethiopia and Uganda.
4. The factors affecting the premium paid for organic coffee are closely related to the development of ecological and ethical patterns of consumption. Purchasing power and the messages used in promotional campaigns for the product have a critical role in bringing about increases both in demand and in the price which the consumer is willing to pay in the European and United States of America markets. Since organic coffee is a niche market, the premium which the producer can command will depend, *inter alia*, on effective sales and marketing once stable production and good quality have been assured. Product certification may be a difficult obstacle to overcome owing to the high costs and the demands in terms of know-how and available manpower that are involved.

Action

The Council is requested to take note of this report.

¹ Referred to here as “organic” coffee.

Introduction

1. Document EB-3639/97 introduces a number of concepts for an analysis of the production and marketing of organic coffee. The present document provides a resume of the three topics covered in the round table discussion in May 2000 at the International Coffee Organization headquarters. The first of these topics highlighted the importance of reaching a consensus on the definition of organic coffee. This is vital for importers and consumers alike. The second topic included a presentation on the role of certification and certifying agencies in the field of “organic” products and more specifically the regulations concerned with the importation of these products. The discussions were rounded off with a brief look at the practical experience and comments of traders directly involved in the market for, and sale of, organic coffee in Europe, the USA and Japan.

Definitions of “organic” coffee

2. To simplify matters, the term “organic coffee” will be used here to describe coffee produced according to the methods and standards of a type of agriculture that seeks to provide an alternative to current methods developed within the framework of agriculture in the 20th century.

3. Although “organic” seems to be the term preferred by most, a word of explanation is required. Depending on the language spoken, we find the term “biological” agriculture being used by French speakers, “organic” being used by the English speaking countries, and “ecological” by Portuguese and Spanish speakers, while some speakers within the German sphere of influence use the term “bio-dynamic”. This doubtless reflects the history of the origins of the rural movement that developed side-by-side with, and in reaction against, the growing industrialization of the agrarian sector in 19th century Europe.

4. European colonists brought technological innovations, especially from India; these included a method of preparing plant-based manure mixed with lime (“compost”) to restore fertility to the soil.

5. The curiosity of these travellers about other oriental philosophies resulted in their coming to view the world as a system in which any action affecting any part would have an effect on the whole (holism). This new paradigm began to supersede more mechanistic and analytical approaches. Knowledge of physics, chemistry and biology became more widespread thanks to the democratization of educational systems. New disciplines within the science of agronomy, including soil science, plant physiology, genetics, ecology and biotechnology, were incorporated into educational courses. Many of the traditionally employed farming methods are today being justified on scientific grounds which may in some cases provide support for the methods used up to now but may also disprove the efficacy of those methods in terms of their cost-effectiveness or environmental impact.

6. The 70's and 80's saw the concept of "organic farming" being introduced in circles closely linked to the scientific research community and in pro-ecology movements, thus reinforcing approaches based on the eco-system and the need to restore a balance in the use of renewable natural resources (soil, water and air). The advocates of an "organic" agriculture tolerate the introduction of synthesized products by the chemical and pharmaceutical industries provided that the negative impact on the environment can be offset or to the extent that they actually help to restore the balance. Believers in integrated pest management can be included in this current of opinion. Those in favour of "organic" agriculture point out that "biological", "bio-dynamic" or "ecological" farming may be environmentally sound or precisely the opposite, according to how it is defined and the ways in which its methods are applied.

7. For producers in the new Latin-American countries which had partly inherited the European tradition from Spain and Portugal, the term now gaining widest acceptance is the translation from English which uses the word "organic". It seems likely that this is due to the enormous influence of the United States in the academic, scientific and commercial spheres, with the USA being the largest consumer of "organic" products.

8. The different translations of the term in the various languages reveal not only the rich multiplicity of their vocabulary but, more importantly, differences of emphasis in the interpretation of the concepts associated with different farming practices and socio-economic behaviour patterns within the rural production framework.

9. A recognition that the practice of "organic" farming takes place within a socio-economic context explains why the advocates of these methods tend to encourage particular types of socio-economic relations within the rural framework. The promotion of direct sales to the consumer was one of the pillars of the ideology of the early movements of the 19th century, which opposed industrialization and the insidious automation of work in which human beings and their way of relating to their environment were replaced by an increased use of capital.

10. Those who believe in "organic" farming postulate a relationship between producer and environment (hence the association of producers with pro-ecology movements) in which the actions of producers are seen as part of an Organic Whole which has the characteristics of a living organism.

11. They also view the producer as having a relationship with the consumer and therefore tend to claim their support in the quest for sustainability. Sustainability is defined on the basis of four objectives: (a) inter-generational equity (protecting the environment for future generations); (b) intra-generational equity (ensuring greater equity between generations now living); (c) public participation (thinking globally and acting locally); and (d) integrating

ecological and environmental notions into economic perspectives. The emphasis on intra-generational equity as an explicit goal increases the likelihood that some adherents of the “organic” farming movement will be attracted by “fair trade” movements.

12. The educational work done by technical cooperation agencies such as *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ), International Conservation and local and international associations of organic coffee producers is expanding into the production of leaflets and handbooks to teach the methods and standards required to produce and process coffee for sale in the marketplace under the “organic coffee” label.

Role of certifying agencies and certification

13. As part of a control system to ensure that the product sold in the marketplace embody methods and standards of production, processing, transportation, storage and packing designed to ensure a sustainable use of natural resources, supervisory and inspecting bodies, known as “certifying agencies”, have developed.

14. Supervisory bodies should be independent organizations and be authorized at national level and recognized at international level. Their mission is to carry out inspections of producers, processors, importers and exporters of organic products. The International Federation of Organic Agriculture Movements (IFOAM) is responsible for publishing basic standards for organic production as a framework within which certification programmes around the world can produce their own national or regional standards.

15. In the case of coffee, the most relevant bodies of law are the Regulation of the Council of the European Union (EEC) No. 2092/91 on organic farming, if the product is for sale in Europe, and the Organic Foods Production Act if it is to be sold in the US. Moreover, since 1991 a series of guidelines on international organic production standards has been drawn up by the Food and Agriculture Organization and the World Health Organization (FAO/WHO) Commission for origin names, now known as the Codex Alimentarius Commission, the highest international food standards body. These guidelines can be found on the internet at www.fao.org/es/esn/codex.

16. In recent years the legislation on imported organic products has developed considerably. As of February 1999, EEC Regulation No. 2092/91 had undergone various amendments and had produced 25 subsequent regulations. Article 5 of Annex VI contains a list of products of non-agricultural origin the use of which is permitted. Articles 8 and 9 of Annex III specify the requirements for an inspection agency and an inspection and control system. Article 11 contains instructions and specifications for imports into the European Union from non-member states under Commission Regulation (EEC) No. 94/92. The

International Standards Organization (ISO) has been working in active cooperation with the European standardization bodies CEN and CENELEC on the harmonization of guidelines and standards.

17. In 1995, the Regulating Council on Organic Agriculture of the European Union resolved that from 1998 onwards all certification agencies must fulfil the requirements set out in standard EN 45011 (a guide for organizations operating in product certification). From 1996 onwards ISO Guideline 65 established basic requirements for the structure and organization of a certification or inspection body. At present, “organic” product inspection bodies must conform both to EN 45011 and ISO Guideline 65. For a detailed explanation of these regulations and the *modus operandi* of certification organizations, the GTZ booklet *Local Certification of Organic Foodstuffs in Developing Countries*, published in 1999, is recommended.

18. Although in the early stages of the development of the “organic” products market certification agencies were mainly of European or United States origin, national and regional inspection and certification bodies are springing up, some of them supervised by agencies in the importing countries. This is the case, to take one example, with BIO LATINA, a monitoring and certification body made up of local organizations such as BIO PACHA (Bolivia), BIO MUISCA (Colombia), CENIPAE (Nicaragua) and INKA CERT (Peru). BIO LATINA is supervised by the *Gesellschaft fur Ressourcenschutz*, a German supervisory body recognized by the European Union. Mexico and Brazil have CERTIMEX and the Brazilian Biodynamics Institute operating as their respective bodies, the latter of which comes under the Brazilian Biodynamic Agriculture Association.

19. Producers have expressed great concern over the possible impact on their income of the various certification standards and regulations imposed by the importing countries. This concern is also being expressed by a number of smaller organic coffee importing companies in Europe. In order to minimize the cost to small farmers, certification agencies are willing to inspect cooperatives on condition that a carefully documented internal supervision system is in operation. This way, the supervising body can carry out inspections on the basis of random samples taken from all producers. In its 1998 publication, the GTZ stated that in order to cover the high cost of inspections and certification of organic coffee plantations, the producers in the programme (in Peru, Bolivia and Colombia) would have to apply a surcharge or premium of at least 8c/lb. We shall return to this aspect later on.

The market for “organic” coffee

20. A study published in 1999 by the International Trade Centre (ITC) estimated that the retail “organic” food and beverage market in Denmark, France, Germany, the Netherlands, Sweden, Switzerland and the United Kingdom, the seven countries that were studied, was worth some US\$11 billion. The Centre also stated that according to preliminary estimates, the Japanese and USA retail markets were worth some US\$13 billion in 1998.

21. The Brazilian Association of Organic Coffee Growers has produced an estimate of world organic coffee production in the 2000/01 harvest of 800,000 60-kilo bags or 48,000 tons (whether Robusta or Arabica was not specified). Taking a rounded total world production of 100 million bags, this amounts to 0.8% of world output with a value of around US\$96 million (assuming an average price of Arabica and Robusta of US\$1,600 per ton plus a 20% premium, i.e. US\$2,000, on the April 2000 price for Arabica or Robusta).

22. In April 2000 the Brazilian Association of Organic Coffee Growers reported an estimated production of 40,000 bags of organic coffee for Brazil and 103,000 bags for Mexico, the world’s leading exporter of this product. Bearing in mind that projected output for Brazil and Mexico is reckoned at some 28.9 million bags and 5.3 million bags respectively, these figures represent 0.14% of total domestic output for Brazil and 1.94% for Mexico.

23. Organic coffee is also exported by Guatemala, Kenya, Nicaragua, Brazil, Ethiopia, India, Madagascar and Papua New Guinea, as well as some of the other Latin-American countries. New projects for launching organic coffee production in Ethiopia and Uganda are under way but no accurate details are available at the time of writing.

24. The percentage mark-up that retail sellers of organic coffee could obtain can be conservatively assumed to be somewhere between 10% and 15% on the purchase price.

25. A study produced by the Mexican Coffee Board revealed a very marked swing in the percentage difference in the average export values of organic coffee, which rose to 35% in 1995/96 before falling back to 9.8% in 1997/98.

Organic coffee exports – average values					
	(US\$/bag)				
	1993/94	1994/95	1995/96	1996/97	1997/98
Other Milds	106.27	147.01	110.84	151.47	152.74
Organic coffee	132.66	190.05	149.65	186.08	167.71
Difference in value	26.39	43.04	38.81	34.61	14.97
Difference (%)	24.83	29.28	35.01	22.85	9.80

Source: Consejo Mexicano del Café.

26. No sources could be found from which to determine a trend level of surcharges or premiums paid to producers, importers or retailers. The factors that determine the premiums paid for organic coffee are closely related to the trend towards “environmentally friendly” and ethical consumption patterns. Purchasing power and the messages used in promotional campaigns for organic coffee are critical in bringing about increases in demand and the price which consumers are willing to pay in the European and USA markets.

Conclusion

27. Organic coffee, in line with the overall increase in demand for “organic” products in the markets of Europe, the USA and Japan, has experienced something of a boom in recent years. Its relative importance stems from two factors: a rising demand for the product, and an explicitly stated intention to operate in such a way as to conserve natural productive resources and to produce coffee within a diversified system of agro-forestry which will, in the long run, enable coffee industry recessions to be overcome by offering, wherever possible, other sources of revenue such as fruit growing, timber production and livestock breeding.

28. Organic coffee can provide an alternative to small farmers willing to invest more time and manpower in maintaining their plantations in a sustainable way. It should, however, be noted that on farms where agro-chemical inputs have been habitually used there is likely to be a fall in productivity in the earlier transitional stages. This loss can be made up in time through good practice and by restoring the fertility of the soil until stable production is achieved.

29. Since organic coffee is a niche market, the premium that an organic coffee producer is able to command will depend, *inter alia*, on effective sales and marketing once stable production and good quality have been achieved. Product certification may be a difficult obstacle to overcome owing to the high costs and the demands in terms of know-how and available manpower that are involved. Producers who are able to organize themselves into groups, associations or cooperatives and enter into agreements to allow inspection on the basis of samples will be at an advantage compared with producers who have to comply strictly with the requirements of individual farm inspections.

30. To ensure that organic coffee certification does not become a bottleneck in the coffee market, national certification systems should be strengthened and local inspection bodies should continue to operate in cooperation with foreign inspection and certification bodies in importing countries. These local bodies should keep themselves fully informed of developments in the international regulatory field, the management of which is in the hands of international organizations such as the FAO, the European Union, the Food Production Act, the ISO and the IFOAM.

LIST OF ROUND TABLE SPEAKERS

Moderator: T. Johansson, Ministry of Foreign Affairs (Sweden)

Topic I Definition and history of alternative farming movements

The chief characteristics and environmental impact of coffee farming systems.

Julia Elena Serpa, ICO

Philippe Vaast, CIRAD/CATIE, Turrialba, Costa Rica

Topic II Certification

Bo van Elzakker

Director, Agriculture, Crop Protection and Project Management consultant for Eastern Europe and the Tropics, President of the International Organic Accreditation Services of IFOAM

Topic III The Market

Garth Smith, President of ORGANIC PRODUCTS TRADING CO., developer, importer, trader and broker of Certified Organic Gourmet Coffee. (Certified Organic by OCIA, DEMETER ASSOC. and QAI. Licensed as an importer/broker by the Smithsonian Migratory Bird Center, for their “SHADE GROWN-BIRD FRIENDLY” tm, and by TRANSFAIR-USA for Fairtrade organic and conventional coffee transactions.)

M. Scholer, International Trade Centre, CNUCED/WTO.

Recommended bibliography

Guía para una caficultura ecológica: Café orgánico. Editores Talleres de Novella Publigráf S.R.L., Caylloma 225, Lima, Peru, 2nd edition revised 1998.

Local certification of Organic Foostuffs in Developing countries: Quality Management for global markets. Jochen Neuendorff & Ulrich Sabel-Kochella, 1999. A GTZ publication.